



## The Changing Definition of Development and Development Cooperation

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Development cooperation is a post-1945 phenomenon; in particular, "aid" has always been seen as transitional, lasting only until countries could compete on their own in the world's financial and trading markets. We are now closer to that world than we think, and patterns of development cooperation need to change to reflect that reality.

I want to cover three points: the development record since the first Tidewater meeting was held under the sponsorship of the Overseas Development Council; what we have learned about the development process in that period; and the implications for development assistance policies-aid programs.

1. The great "development cooperation experiment" of the last 30 years has been—on balance—a remarkable success. Current problems, including the persistence of mass poverty and the current crisis in Asia, should not obscure that reality

Social and economic indicators all show major improvements:

- per capita GDP in the developing countries nearly tripled between 1960 and 1993 (from \$330 in 1960s to \$823 in 1993)
- life expectancy has jumped from 46 years to 63 years
- infant mortality has dropped from nearly 150 per 1000 births to under 60
- the population with access to safe water rose from 41 percent in 1975 to nearly 70 percent in 1996
- adult literacy jumped by 50 percent in the last two decades, and primary school enrollments are at very high levels
- birth rates have dropped dramatically in almost every country (from over six births per woman in the 1950s to 3.6 births, and still dropping), with the prospect that in the coming century, the world's population could be stabilized at lower levels than previously projected
- world food production has increased dramatically, and many more countries are now capable of feeding themselves. In India—the 'basket case' of the 1970s—food production has quadrupled.

Nevertheless, major problems persist. The distribution of this progress has been very uneven. Mass poverty persists in a number of countries. Most noticeably, Sub-Saharan Africa has made little or no progress. The forces of globalization will exacerbate these inequities if they are not addressed forthrightly.

It is quite clear that past programs of aid and development cooperation have been important contributors to these development successes. Several examples underscore this reality:

- support for agriculture research and the dissemination of the results were the underpinning of the Green Revolution which changed the nature of food production, particularly in Asia
- the package of technologies and techniques that go under the heading of "child survival" provided the underpinning for the dramatic decline in infant mortality and the extension of life expectancy

- the emphasis on family planning and slower population growth, including both contraception and education, led to the decline in population growth rates that provides the prospect for a stable world population midway through the next century

This remarkable record of progress is changing the nature of the relationships between developed and developing countries:

- Developing countries are now important participants in the global economy. Their share of world GDP will double by 2020, and they will account for nearly half of the world's exports. It is impossible to talk about prosperity and progress in the old industrial countries without being concerned about development in the rest of the world.
- Most developing countries have much greater capacities and capabilities to manage their own affairs—for better and for worse.
- While population growth is slowing, by 2050 we will have to deal with a world with 9-11 billion people, double the number now on earth. New problems will have to be faced—some stemming from past successes. People are living longer and policymakers in 'developing' countries will face twin challenges: they still will have to find jobs for a large number of new entrants into the labor market, while at the same time begin to deal with the health and social problems of the older segments of their populations.

2. Much has been learned about the development process; these lessons need to be applied.

The key lessons center on two issues: what makes economies grow? and what mix of policies reduces poverty? At the risk of caricature, the changing and evolving emphases of the last 30 years might be summarized in response to the following questions:

*a. How Is Economic Growth Stimulated?*

In the 1950s and 1960s, the emphasis was on planning and investment in heavy industry. The inputs needed were investment capital and foreign exchange. By the 1980s, the emphasis had swung 180 degrees, with unfettered markets promoted as the only path to growth. As we approach the end of the 1990s, a more balanced view prevails: markets and the public sector complement each other (and are synergistic), and investment in human capital (including women) are crucial to growth.

*b. What Is the Role of Governments? (closely related to growth but not the same)*

In the 1950s/60s, the role of government, particularly in planning and investment, was central. (It was the era of five-year plans and A.I.D.'s long-range assistance strategies.) In the 1970s, the role of government was to address poverty through direct interventions (and Redistribution With Growth, to use the title of the influential book of that period). In the Reagan/Thatcher revolutions of the 1980s, the view prevailed that less government was the best. But by the 1990s, the development community had come to understand that the role of government is important, particularly to create 'market-friendly' conditions and to invest in human capital; and to compensate for market failures through regulation, incentives, and direct action, such as social safety nets.

*c. How Can Poverty Be Eliminated?*

In the 1950s, the conventional development wisdom believed that if growth was encouraged, the benefits would (eventually) trickle down to the poor. By the late 1960s, the record clearly indicated that was not happening, despite a good growth record. The emphasis then turned in the 1970s to government interventions to meet "basic human needs" (A.I.D.'s "new directions"). By the 1980s, however, the wheel had turned, and with the advent of the debt crisis and the need for structural adjustment with the emphasis again on growth (and 'adjustment'), and poverty no longer was a major concern in most bilateral and multilateral aid agencies. The pressures from groups such as UNICEF, and from the NGOs, led to growing demands for compensatory measures to buffer the most vulnerable groups. The shift back to a priority for poverty reduction was signaled by the World Bank's *World Development Report* in 1990 which argued that the key issue was policies to promote productive use of the poor through increased employment and assured access to basic social services, particularly education and health. Growth remains absolutely crucial, but it will not automatically reduce poverty; and government policies and programs can make a major difference in improving human well-being and individual capacities (and indeed

improve growth itself). The new DAC goals are particularly important in this regard.

d. *What is the role for democracy and civil society?*

The early decades of development emphasized that growth and democracy went hand in hand. Development would create a middle class which in turn would demand greater political openness. In the 1970s, however, democracy was seen as an obstacle to development. Perceptions of the Asian experience led many to maintain that authoritarian (but not totalitarian) governments were essential to make tough economic decisions and contain populist pressures. The experience since then, however, has led to a new consensus: good governance is crucial for development, and democratic institutions and an active civil society are keys to good government. Therefore democracy and development are once more linked—but with the causality flowing in both directions.

We have learned other important lessons, many of which were not even on the development agenda at all thirty years ago:

a. There are clear environmental limits and we are beginning to push against them, globally in the case of warming, and locally in too many areas. That reality puts a priority on new means of livelihood for people who live in fragile areas where desertification and deforestation are spreading, and for alternative patterns of less carbon-intensive industrialization.

b. Neither development nor the end of the Cold War will bring peace and security. Ethnicity and nationalism remain strong, and in some places virulent; they can block development and even unravel it. But there is no neat relationship between economic growth and less civil strife, particularly when the conflicts have deep historical roots.

c. Participation of poor people is essential, particularly in the programs that directly affect them. This is particularly true for women, who were neglected by all of the early thinkers on development (and to some extent still are). But participation on any level above small-scale projects requires some system of representative structures—and the poor are often the last to be included.

d. The politics of development are at least as important as the economics. Many countries are now being asked to undergo "simultaneous transitions"—both political and economic. The spread of democracy (a good in itself) may make economic and social reform more difficult to manage.

We have arrived, therefore, at a much broader agreement than at any time in the last three decades on strategies for development that reduces poverty. It is that:

- growth is important, for its own sake and for reducing poverty; however, it is not sufficient
- measures to directly address poverty also are important for their own sake, but done right enhance economic growth
- good governance and democracy are important for growth, and also desirable goals in their own right
- investment in poor people by providing them increased access to education and health, as well as by redistribution of productive assets (credit and land), and by measures to support small-scale rural and urban enterprises, is critical

The key question is whether we will apply what we have learned—what three decades of experience should have taught us. Given the record of the last four decades, a little modesty on the part of the development community may be in order; we haven't always known what is right, even when our heart was in the right place.

### 3. Official Development Assistance needs to be rethought in light of our own experience in the last three decades

This broad agreement on development strategies should have diminished much of the controversy over the uses and effectiveness of development aid. It has not. The utility of ODA continues to be viewed with great scepticism in many quarters. Part of the reason lies

in two sets of data on the record of reducing poverty that seem to conflict. On one hand, the number of people living in absolute poverty continues to increase. However, the proportion of people living in absolute poverty has shrunk drastically over the last several decades, and more people are better educated, healthier, and live longer than ever before. Both sets of data are correct, therefore, whether one thinks development and aid have succeeded, or not, depends on which set of data is used.

This new "pro-poor growth paradigm," as my colleagues term it, poses great challenges for the uses of ODA in the future. A decade ago, Robert Cassen wrote a seminal book entitled, *Does Aid Work?*.\*\* His answer was a qualified "yes," but only when aid had been used for development purposes (rather than political or strategic aims).

Nevertheless, new insights are beginning to emerge, many of which are outlined in a recent ODC Policy Essay.\*\*\* For example, we now know that while aid has had some remarkable successes in helping to address particular development problems, it has, at best, a mixed record in promoting policies to speed growth and focus on the policy changes needed to eliminate poverty (The ODC Policy Essay summarizes a number of recent analyses of aid's impact on these issues). Also, contrary to popular views on both left and right, aid has not been a particularly powerful force and seems to have had no systematic effect on either growth or policy change. It has only promoted growth in good policy environments, and has not succeeded in imposing "good" policies on reluctant governments. The reason of which is simple. In practice, aid allocations have not rewarded good performance or punished poor performers. Therefore, aid has not been sufficient in changing policies where governments were not willing to do so. Aid only works well when it reinforces the policy environment in a country committed to growth and poverty reduction.

It is now possible, therefore, that the emerging consensus on development also may lead to a new agreement on aid. The analysis of my colleagues at ODC points in several new directions.\*\*\*\* They are worth serious discussion and debate:

- aid should be provided to countries on a much more selective basis based on judgements about the governments' commitment and abilities to pursue sustained, good macroeconomic management, savings and investment policies that promote growth, and measures aimed at opening employment and social services to the poor
- performance should be defined to include not only good policies but also good governance, democracy, human rights, and environmental protection
- ODA will remain a scarce resource and cannot be wasted; countries with high poverty and low performance should not receive development aid, but should be restricted to humanitarian programs
- good performance deserves strong support, but donors need to think about how much aid is too much—thus breeding dependence; and how much aid is too little—to effectively support politically tough policy changes
- ownership of development choices and programs is essential; therefore the choice of who makes decisions on these questions is critical
- donors should improve the delivery of development assistance, particularly to enhance 'ownership', as well as reduce—if not eliminate—the burden on countries of coordinating multiple aid donors

Let me conclude by saying that I hope these brief thoughts have stimulated your thinking—even if you strongly disagree with them. It is particularly important that we begin to address them today. There is no doubt that we are at the beginning stages of a globalized world economy. In that world, development remains critically important. Despite much progress, much remains to be done—and it will have to be done in a world that is quite different; in some ways much better; in some ways more difficult.

Globalization opens vast opportunities for economic and social progress not available before. But if not managed wisely, it will bring costs, particularly to poorer countries and to poor people throughout the world. The key challenge for development policymakers is to craft policies that ensure that poor people and poor countries have the capacities to maximize the opportunities and to buffer the inevitable costs.

As we mark the 30th anniversary of the Tidewater meetings, we all have the chance to make this the end of the beginning of the "great development experiment"—and not the beginning of the end.

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\*Fragile Coalitions: The Politics of Economic Adjustment, Joan M. Nelson and contributors, U.S.-Third World Policy Perspectives, No. 12, Overseas Development Council

\*\*Does Aid Work? Report to an Intergovernmental Task Force, Robert Cassen and Associates, Clarendon Press, Oxford, 1986

\*\*\*Perspectives on Aid and Development, edited by Catherine Gwin and Joan M. Nelson, Policy Essay No. 22, Overseas Development Council

\*\*\*\*Ibid

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